



Investment Community Conference Call: Justice Solutions, Asset Solutions, and Education Systems Divestiture

September 22, 2008



Asset Purchase Agreement with Constellation

Today's Announcement

An asset purchase agreement to sell three of our Systems businesses to Constellation Software, Inc.

- Justice Solutions
 - Education Systems
 - Asset Solutions
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- \$35 million in cash at closing plus an additional \$5 million one-year holdback payment subject to a customary purchase price adjustment and any claims based on representations and warranties
 - Expected close date on September 30th
 - Three businesses accounted as discontinued operations beginning at the fourth quarter 2008
 - Systems Segment eliminated and the remaining ERP division folded in with Consulting Segment

This divestiture represents an all around win for MAXIMUS, Constellation, and the employees and clients of both companies.

Constellation Software, Inc.

- Substantial domain expertise in these specific markets
- Long-standing record of successful software implementations
- Best positioned to leverage the core capabilities and opportunities of the intellectual property they are acquiring
- Strong coordination between MAXIMUS and Constellation to ensure seamless client and employee transition with minimal disruption



2008 As Reported Compared to Reclassified Results Assuming Divestiture

The following two press release tables restate FY 08 and FY 07 by quarter and provide:

- Reallocation of corporate costs out of the Systems Segment
- Redistribution of those costs over the remaining Operations and Consulting Segments

	As Reported Financial Results Before Divestiture				As Reclassified Assuming Divestiture			
	Q1	Q2	Q3	Total	Q1	Q2	Q3	Total
Revenue								
Operations	\$ 146,807	\$ 160,982	\$ 157,917	\$ 465,706	\$ 146,807	\$ 160,982	\$ 157,917	\$ 465,706
Consulting	18,628	16,882	19,736	55,246	30,282	28,629	31,447	90,358
Systems	31,151	26,546	28,671	86,368	-	-	-	-
Total	\$ 196,586	\$ 204,410	\$ 206,324	\$ 607,320	\$ 177,089	\$ 189,611	\$ 189,364	\$ 556,064
Income (loss) from Operations								
Operations	\$ 18,793	\$ 23,701	\$ 23,797	\$ 66,291	\$ 17,826	\$ 22,848	\$ 22,845	\$ 63,519
Consulting	446	(1,035)	466	(123)	1,779	496	1,262	3,537
Systems	(3,105)	(6,388)	(5,609)	(15,102)	-	-	-	-
Corporate/Other	(230)	(93)	(224)	(547)	(359)	(243)	(268)	(870)
Legal and settlement expense	-	(931)	(7,675)	(8,606)	-	(931)	(700)	(1,631)
Gain on sale of building	-	-	3,938	3,938	-	-	3,938	3,938
Total	\$ 15,904	\$ 15,254	\$ 14,693	\$ 45,851	\$ 19,246	\$ 22,170	\$ 27,077	\$ 68,493
Interest and other income, net	1,501	107	490	2,098	1,501	107	490	2,098
Income from continuing operations before income taxes	17,405	15,361	15,183	47,949	20,747	22,277	27,567	70,591
Provision for income taxes	7,159	6,056	5,379	18,594	8,479	8,788	10,271	27,538
Income from continuing operations	10,246	9,305	9,804	29,355	12,268	13,489	17,296	43,053
Income (loss) from discontinued operations, net of income taxes	359	322	1,601	2,282	(1,663)	(3,862)	(5,891)	(11,416)
Net Income	\$ 10,605	\$ 9,627	\$ 11,405	\$ 31,637	\$ 10,605	\$ 9,627	\$ 11,405	\$ 31,637
Diluted earnings per share								
Income from continuing operations	\$ 0.49	\$ 0.50	\$ 0.52	\$ 1.51	\$ 0.59	\$ 0.72	\$ 0.92	\$ 2.21
Income (loss) from discontinued operations	0.02	0.01	0.09	0.11	(0.08)	(0.21)	(0.31)	(0.59)
Diluted earnings per share	\$ 0.51	\$ 0.51	\$ 0.61	\$ 1.62	\$ 0.51	\$ 0.51	\$ 0.61	\$ 1.62



2007 As Reported Compared to Reclassified Results Assuming Divestiture

	As Previously Reported Before Divestiture					As Reclassified Assuming Divestiture				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Revenue										
Operations	\$ 102,830	\$ 121,391	\$ 140,277	\$ 142,988	\$ 507,486	\$ 102,830	\$ 121,391	\$ 140,277	\$ 142,988	\$ 507,486
Consulting	20,800	19,606	19,218	18,678	78,302	28,891	29,436	29,694	30,724	118,745
Systems	30,955	31,603	30,178	33,139	125,875	-	-	-	-	-
Total	<u>\$ 154,585</u>	<u>\$ 172,600</u>	<u>\$ 189,673</u>	<u>\$ 194,805</u>	<u>\$ 711,663</u>	<u>\$ 131,721</u>	<u>\$ 150,827</u>	<u>\$ 169,971</u>	<u>\$ 173,712</u>	<u>\$ 626,231</u>
Income (loss) from Operations										
Operations	\$ (15,996)	\$ 7,120	\$ 24,566	\$ 23,626	\$ 39,316	\$ (16,943)	\$ 6,345	\$ 23,447	\$ 22,766	\$ 35,615
Consulting	1,938	708	1,592	(107)	4,131	2,218	1,538	2,079	1,913	7,748
Systems	(1,869)	(330)	(3,910)	(290)	(6,399)	-	-	-	-	-
Corporate/Other	451	241	108	(196)	604	143	114	(124)	(404)	(271)
Gain (gain adjustment) on sale of Corrections Services Business	684	-	(233)	-	451	684	-	(233)	-	451
Legal and settlement expense	(3,000)	(6,104)	(33,010)	(2,524)	(44,638)	(3,000)	(6,104)	(33,010)	(2,324)	(44,438)
Total	<u>\$ (17,792)</u>	<u>\$ 1,635</u>	<u>\$ (10,887)</u>	<u>\$ 20,509</u>	<u>\$ (6,535)</u>	<u>\$ (16,898)</u>	<u>\$ 1,893</u>	<u>\$ (7,841)</u>	<u>\$ 21,951</u>	<u>\$ (895)</u>
Interest and other income, net	477	1,615	1,131	2,581	5,804	477	1,615	1,131	2,581	5,804
Income from continuing operations before income taxes	<u>(17,315)</u>	<u>3,250</u>	<u>(9,756)</u>	<u>23,090</u>	<u>(731)</u>	<u>(16,421)</u>	<u>3,508</u>	<u>(6,710)</u>	<u>24,532</u>	<u>4,909</u>
Provision for income taxes	(6,254)	1,302	5,074	9,731	9,853	(5,901)	1,404	6,277	10,301	12,081
Income from continuing operations	<u>(11,061)</u>	<u>1,948</u>	<u>(14,830)</u>	<u>13,359</u>	<u>(10,584)</u>	<u>(10,520)</u>	<u>2,104</u>	<u>(12,987)</u>	<u>14,231</u>	<u>(7,172)</u>
Income (loss) from discontinued operations, net of income taxes	666	414	439	810	2,329	125	258	(1,404)	(62)	(1,083)
Net Income	<u>\$ (10,395)</u>	<u>\$ 2,362</u>	<u>\$ (14,391)</u>	<u>\$ 14,169</u>	<u>\$ (8,255)</u>	<u>\$ (10,395)</u>	<u>\$ 2,362</u>	<u>\$ (14,391)</u>	<u>\$ 14,169</u>	<u>\$ (8,255)</u>
Diluted earnings per share										
Income from continuing operations	\$ (0.51)	\$ 0.09	\$ (0.67)	\$ 0.59	\$ (0.48)	\$ (0.49)	\$ 0.10	\$ (0.59)	\$ 0.63	\$ (0.33)
Income from discontinued operations	0.03	0.02	0.02	0.04	0.10	0.01	0.01	(0.06)	-	(0.05)
Diluted earnings per share	<u>\$ (0.48)</u>	<u>\$ 0.11</u>	<u>\$ (0.65)</u>	<u>\$ 0.63</u>	<u>\$ (0.38)</u>	<u>\$ (0.48)</u>	<u>\$ 0.11</u>	<u>\$ (0.65)</u>	<u>\$ 0.63</u>	<u>\$ (0.38)</u>



Discontinued Operations

- After-tax loss from discontinued operations in the quarter of approximately \$13.5 million to \$15.5 million or \$0.78 to \$0.84 per diluted share
- This after-tax loss in discontinued operations contains two components:
 - operating loss from the divested businesses
 - loss on disposal, which includes non-cash items such as goodwill and capitalized software
- Expected positive cash flow from this transaction in excess of \$20M after-tax
- Discontinued operations for FY 08 expected to generate a loss of approximately \$1.38 to \$1.44 per share

Continuing Operations

- Operations and Consulting (Including ERP Division) Segments
- Expected revenue of \$190M to \$195M
- Expected EPS of \$0.68 to \$0.73
- Materially on track with our Q4 expectations for continuing operations, which reflects some anticipated expenses related to realignment of overhead costs for the business going forward

Full Fiscal Year

- Expected revenue from continuing operations of \$745M to \$750M
- Expected EPS from continuing operations of \$2.91 to \$2.96



Pro Forma Diluted EPS from Continuing Operations for FY 08

This press release table shows pro forma EPS from continuing operations for FY 08. This becomes the baseline for FY 09. Pro forma EPS have been normalized to exclude:

On a normalized basis, expected EPS for FY 08 from continuing operations is expected in the range of \$2.80 to \$2.85.

	<u>Q1 08A</u>	<u>Q2 08A</u>	<u>Q3 08A</u>	<u>Q4 08E</u>	<u>FY08 - E</u>
Diluted EPS from Continuing Operations - GAAP Basis	\$ 0.59	\$ 0.72	\$ 0.92	\$ 0.68 - \$ 0.73	\$ 2.91 - \$ 2.96
Pro Forma Adjustments					
Add back legal and settlement charges	-	0.03	0.02	-	0.05
Less gains from sale of building			(0.13)	-	(0.13)
Less Pre-ASR interest income	(0.03)				(0.03)
Subtotal pro forma adjustments	\$ (0.03)	\$ 0.03	\$ (0.11)	\$ -	\$ (0.11)
Pro forma diluted EPS from Continuing Operations	\$ 0.56	\$ 0.75	\$ 0.81	\$ 0.68 - \$ 0.73	\$ 2.80 - \$ 2.85



FY 09 Guidance

- Expected revenue growth in the range of 4% to 7% or \$775M to \$800M
- Projected revenue growth does not include approximately \$55M to \$60M in FY 08 revenue that will not repeat in FY 09 due to:
 - Work where we chose not to rebid due to unacceptable terms and conditions
 - Consulting Segment work where we are transitioning out
 - Project life cycles where work is ramping down
- Expected EPS growth of 6% to 11%
 - Based on expected FY 09 diluted EPS before share repurchase activities of \$3.00 to \$3.15 compared to the mid-point of our expected pro forma EPS from continuing operations for FY 08 of \$2.80 to \$2.85



Long-term Revenue Growth and Moving Forward

Long-term Revenue Growth

- We've accomplished what we set out to do in order to better position MAXIMUS for longer-term, scalable growth.
- Longer term, we will target 10-12% plus top-line growth.
- Our efforts and achievements have translated into improved financial results.
 - Operations Segment consistently delivering and operating margin in the 12% to 15% range
 - Emphasizing profitable growth

Cultural Transformation

- Made significant strides in eliminating the distractions from legacy contracts and underperforming non-core businesses
- Optimizing the portfolio as we actively pursue new markets and prospects
- Identifying favorable market demand and abundant opportunities in core markets

Narrowed Focus

- Repositioned to enhance and grow our core health and human service offerings
- Increased business development, expansion of capabilities, products, and services while maintaining emphasis on profitable growth
- Pursue acquisitions to enhance domain expertise, service offerings, and geographic footprint within our defined markets
- Set the foundation as the leading pure-play provider in health and human services
- Focus on a strategy for long-term, sustained growth and increased stakeholder value